

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the LaRue County Fiscal Court for the fiscal year ended June 30, 2007. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$9,341,359 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,344,547 in its governmental activities as of June 30, 2007, with total net assets of \$9,332,469. In its business-type activities, total net cash and cash equivalents were \$8,890 with total net assets of \$8,890. The fiscal court had total debt principal as of June 30, 2007 of \$2,167,702 with \$287,655 due within the next year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaRue County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 28, 2008

LARUE COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Tommy Turner	County Judge/Executive
William Bryan Durham	Magistrate
William L. Miller	Magistrate
Peggy B. Hawkins	Magistrate
Edward Scotty Lee	Magistrate

Other Elected Officials:

Dale Morris	County Attorney
Ralph Mac Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
Todd Skaggs	Coroner

Appointed Personnel:

Lauralene Reed	County Treasurer
Renee Strock	Administrative Assistant
Kathy Oveson	Administrative Assistant
Timmy Brown	Road Supervisor
Clara Mae Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,139,547	\$ 8,890	\$ 1,148,437
Note Receivable	40,000		40,000
Total Current Assets	<u>1,179,547</u>	<u>8,890</u>	<u>1,188,437</u>
Noncurrent Assets:			
Note Receivable	165,000		165,000
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,107,499		1,107,499
Buildings	4,227,243		4,227,243
Other Equipment	432,532		432,532
Vehicles and Equipment	208,471		208,471
Infrastructure Assets - Net of Depreciation	<u>4,179,879</u>		<u>4,179,879</u>
Total Noncurrent Assets	<u>10,320,624</u>		<u>10,320,624</u>
Total Assets	<u>11,500,171</u>	<u>8,890</u>	<u>11,509,061</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations	147,655		147,655
General Obligation Bonds	85,000		85,000
Revenue Bonds	55,000		55,000
Total Current Liabilities	<u>287,655</u>		<u>287,655</u>
Noncurrent Liabilities:			
Financing Obligations	460,047		460,047
General Obligation Bonds	1,245,000		1,245,000
Revenue Bonds	175,000		175,000
Total Noncurrent Liabilities	<u>1,880,047</u>		<u>1,880,047</u>
Total Liabilities	<u>2,167,702</u>		<u>2,167,702</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,987,922		7,987,922
Unrestricted	1,344,547	8,890	1,353,437
Total Net Assets	<u>\$ 9,332,469</u>	<u>\$ 8,890</u>	<u>\$ 9,341,359</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,212,319	\$ 114,396	\$ 201,761	\$
Protection to Persons and Property	1,607,511	1,260,689	159,865	
General Health and Sanitation	114,096			
Social Services	17,842			
Recreation and Culture	83,424			
Roads	924,450		1,601,754	
Debt Service	127,359			
Total Governmental Activities	4,087,001	1,375,085	1,963,380	
Business-Type Activities:				
Jail Canteen	119,102	114,794		
Total Business-Type Activities	119,102	114,794		
Total Primary Government	\$ 4,206,103	\$ 1,489,879	\$ 1,963,380	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Interest Earned

Miscellaneous Revenues

 Total General Revenues

 Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (896,162)	\$	\$ (896,162)
(186,957)		(186,957)
(114,096)		(114,096)
(17,842)		(17,842)
(83,424)		(83,424)
677,304		677,304
(127,359)		(127,359)
(748,536)		(748,536)
	(4,308)	(4,308)
	(4,308)	(4,308)
\$ (748,536)	\$ (4,308)	\$ (752,844)
682,365		682,365
123,635		123,635
246,793		246,793
40,671		40,671
43,182	107	43,289
141,406		141,406
1,278,052	107	1,278,159
529,516	(4,201)	525,315
8,802,953	13,091	8,816,044
\$ 9,332,469	\$ 8,890	\$ 9,341,359

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,073,725	\$ 54,642	\$ 11,177	\$ 3	\$ 1,139,547
Total Assets	<u>\$ 1,073,725</u>	<u>\$ 54,642</u>	<u>\$ 11,177</u>	<u>\$ 3</u>	<u>\$ 1,139,547</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 1,286	\$ 2,425	\$ 1,682	\$	\$ 5,393
Unreserved:					
General Fund	1,072,439				1,072,439
Special Revenue Funds		52,217	9,495		61,712
Debt Service Funds				3	3
Total Fund Balances	<u>\$ 1,073,725</u>	<u>\$ 54,642</u>	<u>\$ 11,177</u>	<u>\$ 3</u>	<u>\$ 1,139,547</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,139,547
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	17,071,993
Accumulated Depreciation	(6,916,369)
Receivables Reported At The Government-Wide Level Are Not Current Financial Resources And Therefore Are Not Reported In The Funds.	205,000
Long-Term Debt is Not Due and Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Financing Obligations	(607,702)
Bonded Debt	<u>(1,560,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,332,469</u>

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,050,057	\$	\$	\$	\$ 1,050,057
In Lieu Tax Payments	2,734				2,734
Excess Fees	40,670				40,670
Licenses and Permits	99,996				99,996
Intergovernmental	300,577	1,621,674	831,762		2,754,013
Charges for Services	429,239		40,816		470,055
Miscellaneous	109,734	19,161	26,915		155,810
Interest	37,557	5,538	87		43,182
Total Revenues	<u>2,070,564</u>	<u>1,646,373</u>	<u>899,580</u>		<u>4,616,517</u>
EXPENDITURES					
General Government	401,310				401,310
Protection to Persons and Property	580,861		918,615		1,499,476
General Health and Sanitation	105,833				105,833
Social Services	11,623				11,623
Recreation and Culture	78,130				78,130
Roads		1,200,780			1,200,780
Debt Service	48,236		13,389	208,970	270,595
Administration	492,211	131,546	178,328		802,085
Total Expenditures	<u>1,718,204</u>	<u>1,332,326</u>	<u>1,110,332</u>	<u>208,970</u>	<u>4,369,832</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>352,360</u>	<u>314,047</u>	<u>(210,752)</u>	<u>(208,970)</u>	<u>246,685</u>
Other Financing Sources (Uses)					
Transfers From Other Funds	259,405		419,369	208,970	887,744
Transfers To Other Funds	(419,369)	(259,405)	(208,970)		(887,744)
Total Other Financing Sources (Uses)	<u>(159,964)</u>	<u>(259,405)</u>	<u>210,399</u>	<u>208,970</u>	
Net Change in Fund Balances	192,396	54,642	(353)		246,685
Fund Balances - Beginning (Restated)	881,329		11,530	3	892,862
Fund Balances - Ending	<u>\$ 1,073,725</u>	<u>\$ 54,642</u>	<u>\$ 11,177</u>	<u>\$ 3</u>	<u>\$ 1,139,547</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 246,685
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	474,924
Depreciation Expense	(432,455)
Payment on Receivables Provide Current Financial Resources to Governmental Funds, while at the Government-wide Level, a Reduction of the Receivable Occurs. These Transactions Have No Effect on Net Assets.	
Receivable Receipts	(40,000)
Financing Obligations and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities.	
Financing Obligation Principal Payments	145,362
Bond Principal Payments	135,000
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ 529,516</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 8,890
Total Current Assets	<u>8,890</u>
Net Assets	
Unrestricted	8,890
Total Net Assets	<u><u>\$ 8,890</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 51,903
Total Operating Revenues	<u>51,903</u>
Operating Expenses	
Cost of Sales	55,660
Educational and Recreational	9,966
Total Operating Expenses	<u>65,626</u>
Operating Loss	<u>(13,723)</u>
Nonoperating Revenues (Expenses)	
Interest Income	107
Inmate Pay From State	7,221
Inmate Account	55,670
Inmate State Payroll	(1,102)
Inmate Refunds	(36,706)
Jail Bond and Booking Fees	(10,914)
Inmate Medical Fees	(1,895)
Miscellaneous	<u>(2,859)</u>
Total Nonoperating Revenues (Expenses)	<u>9,522</u>
Change In Net Assets	(4,201)
Total Net Assets - Beginning	<u>13,091</u>
Total Net Assets - Ending	<u><u>\$ 8,890</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 51,903
Cost of Sales	(55,660)
Educational and Recreational	(9,966)
Net Cash Used By Operating Activities	<u>(13,723)</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	7,221
Inmate Account	55,670
Inmate State Payroll	(1,102)
Inmate Refunds on Accounts	(36,706)
Jail Bond and Booking Fees	(10,914)
Inmate Medical Fees	(1,895)
Miscellaneous	(2,859)
Net Cash Provided By Noncapital Financing Activities	<u>9,415</u>
Cash Flows From Investing Activities	
Interest Earned	<u>107</u>
Net Cash Provided By Investing Activities	<u>107</u>
Net (Decrease) in Cash and Cash Equivalents	(4,201)
Cash and Cash Equivalents - July 1, 2006	<u>13,091</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 8,890</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Loss	\$ (13,723)
Net Cash Used By Operating Activities	<u><u>\$ (13,723)</u></u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

June 30, 2007

LARUE COUNTY
STATEMENT OF NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

June 30, 2007

	<u>Agency Fund</u>
	<u>Inmate Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,704
Total Assets	<u>1,704</u>
Liabilities	
Amounts Held In Custody For Others	<u>1,704</u>
Total Liabilities	<u>1,704</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Based upon the application of the criteria stated in GASB 14, management has included the LaRue County Building Commission Corporation as a component unit of LaRue County Fiscal Court. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

LaRue County Building Commission Corporation

The Building Commission Corporation (Corporation) was created for the financing and construction of a courthouse facility. Fiscal Court has the authority to appoint a voting majority of the Corporation's board of directors and was deemed a component unit of the County. Financial information for the Corporation is blended within LaRue County's financial statements and is presented as the Courthouse Improvements Bond 1998.

C. LaRue County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of LaRue County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: LaRue County Courthouse Improvements Bond Funds - 1998 and 1999. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund and Jail Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Courthouse Improvements Bond 1999 and Courthouse Improvements Bond 1998 Funds are presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the LaRue County Building Commission Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the Jail Fund to comply with these requirements. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court: LaRue County Extension Service, LaRue County Health Department, and LaRue County Library.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. LaRue County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Note Receivable

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln museum. Proceeds were paid directly to The Lincoln Museum, Inc. The Lincoln Museum, Inc. makes lease payments directly to the Trust to pay interest and principal of the obligation. The receivable reflects the principal amount due from The Lincoln Museum, Inc. of \$205,000 outstanding as of June 30, 2007. The receivable amount corresponds to The Lincoln Museum, Inc. outstanding liability as of the end of the year.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,107,499	\$	\$	\$ 1,107,499
Total Capital Assets Not Being Depreciated	1,107,499			1,107,499
Capital Assets, Being Depreciated:				
Buildings	8,251,167			8,251,167
Other Equipment	1,273,109			1,273,109
Vehicles and Equipment	671,098	38,652		709,750
Infrastructure	5,294,196	436,272		5,730,468
Total Capital Assets Being Depreciated	15,489,570	474,924		15,964,494
Less Accumulated Depreciation For:				
Buildings	(3,876,447)	(147,477)		(4,023,924)
Other Equipment	(780,920)	(59,657)		(840,577)
Vehicles and Equipment	(414,475)	(86,804)		(501,279)
Infrastructure	(1,412,072)	(138,517)		(1,550,589)
Total Accumulated Depreciation	(6,483,914)	(432,455)		(6,916,369)
Total Capital Assets, Being Depreciated, Net	9,005,656	42,469		9,048,125
Governmental Activities Capital Assets, Net	\$ 10,113,155	\$ 42,469	\$ 0	\$ 10,155,624

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 74,960
Protection to Persons and Property	118,035
General Health and Sanitation	8,263
Social Services	6,219
Recreation and Culture	5,294
Roads, Including Depreciation of General Infrastructure Assets	219,684
Total Depreciation Expense - Governmental Activities	\$ 432,455

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Short-term Debt

In July 2006, LaRue County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$68,500 with principal being due in January 2007. While the Fiscal Court did not use the borrowed funds in order to meet current Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$467.

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various interest rates for the purpose of constructing a courthouse facility (referred to herein as the "prior bonds").

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding prior bonds. Proceeds of the refunding revenue bonds were deposited into an Escrow Fund, and used to meet the scheduled principal and interest payments of the prior bonds, from January 1, 1999 through January 1, 2001 (dates inclusive). On January 1, 2001, the prior bonds were called at 103% and all outstanding prior bonds were retired using the remaining balance of the Escrow Fund.

Bond principal and interest requirements of the Jail Fund are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 55,000	\$ 9,430
2009	55,000	7,175
2010	60,000	4,920
2011	60,000	2,460
Totals	<u>\$ 230,000</u>	<u>\$ 23,985</u>

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Long-term Debt (Continued)

B. General Obligation Improvement Bonds, Series of 1999 (Continued)

Bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 85,000	\$ 59,090
2009	90,000	55,690
2010	95,000	51,910
2011	100,000	47,920
2012	105,000	43,620
2013-2017	580,000	145,380
2018-2019	275,000	19,090
Totals	<u>\$ 1,330,000</u>	<u>\$ 422,700</u>

C. Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 10,000	\$ 2,861
2009	11,000	2,307
2010	12,000	1,711
2011	12,000	1,064
2012	13,000	405
Totals	<u>\$ 58,000</u>	<u>\$ 8,348</u>

D. Road Garage Property

On September 12 1997, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Long-term Debt (Continued)

D. Road Garage Property Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 28,465	\$ 7,586
2009	29,591	6,136
2010	30,761	4,634
2011	31,975	3,071
2012	33,239	1,450
2013	8,512	102
Totals	<u>\$ 162,543</u>	<u>\$ 22,979</u>

E. Road Paving Project

On May 8, 1998 the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for paving of roads. The principal was \$300,000 at 4.5 percent interest for a period of 10 years, with interest and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 38,000	\$ 1,225
Totals	<u>\$ 38,000</u>	<u>\$ 1,225</u>

F. Sheriff's Vehicles

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of two Sheriff vehicles. The principal was \$49,851 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 8,487	\$ 1,022
2009	8,746	591
2010	6,734	152
Totals	<u>\$ 23,967</u>	<u>\$ 1,765</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Long-term Debt (Continued)

G. Dump Truck

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Sterling Dump Truck, salt spreader, and snow plow. The principal was \$74,617 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 12,703	\$ 1,530
2009	13,091	884
2010	10,081	229
Totals	<u>\$ 35,875</u>	<u>\$ 2,643</u>

H. Loader

On April 18, 2006, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Rubber Tired Loader including Fork and Broon Attachments. The principal was \$94,317 at 3.69 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 10,000	\$ 3,421
2009	15,000	2,886
2010	15,000	2,227
2011	15,000	1,567
2012	15,000	908
2013	14,317	71
Totals	<u>\$ 84,317</u>	<u>\$ 11,080</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Long-term Debt (Continued)

I. The Lincoln Museum, Inc.

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln museum. These payments are to be made by The Lincoln Museum, Inc. As of June 30, 2007, the principal outstanding was \$205,000. The debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 40,000	\$ 10,768
2009	40,000	8,828
2010	40,000	6,848
2011	40,000	4,828
2012	45,000	2,761
Totals	<u>\$ 205,000</u>	<u>\$ 34,033</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,415,000	\$	\$ 85,000	\$ 1,330,000	\$ 85,000
Revenue Bonds	280,000		50,000	230,000	55,000
Financing Obligations	<u>753,064</u>		<u>145,362</u>	<u>607,702</u>	<u>147,655</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,448,064</u>	<u>\$ 0</u>	<u>\$ 280,362</u>	<u>\$ 2,167,702</u>	<u>\$ 287,655</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$35,516 in interest on financing obligations and \$73,970 in interest on bonds and notes.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. The county's contribution for FY 2005 was \$205,971, FY 2006 was \$273,411 and FY 2007 was \$302,354.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On February 24, 2000, the LaRue County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2007, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 11. Prior Period Adjustments

The beginning net asset balance for governmental activities and the beginning fund balance for the General Fund have been restated since the Payroll account balance was previously included in the General Fund balance. The effect is an increase of \$14,995.

The beginning net asset balance for governmental activities has also been restated due to errors in capital asset depreciation in prior years. The effect on the beginning net asset balance is an increase of \$10,050.

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LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 978,660	\$ 978,660	\$ 1,050,057	\$ 71,397
In Lieu Tax Payments	1,600	1,600	2,734	1,134
Excess Fees	85,192	85,192	40,670	(44,522)
Licenses and Permits	50,000	50,000	99,996	49,996
Intergovernmental Revenue	682,500	682,500	300,577	(381,923)
Charges for Services	522,000	522,000	429,239	(92,761)
Miscellaneous	47,500	47,500	61,498	13,998
Interest	68,100	68,100	37,557	(30,543)
Total Revenues	<u>2,435,552</u>	<u>2,435,552</u>	<u>2,022,328</u>	<u>(413,224)</u>
EXPENDITURES				
General Government	476,650	497,509	401,310	96,199
Protection to Persons and Property	751,475	760,351	580,861	179,490
General Health and Sanitation	383,625	395,712	105,833	289,879
Social Services	27,800	27,800	11,623	16,177
Recreation and Culture	69,500	89,133	78,130	11,003
Administration	656,200	594,745	492,211	102,534
Total Expenditures	<u>2,365,250</u>	<u>2,365,250</u>	<u>1,669,968</u>	<u>695,282</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>70,302</u>	<u>70,302</u>	<u>352,360</u>	<u>282,058</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			259,405	259,405
Transfers To Other Funds	<u>(368,419)</u>	<u>(368,419)</u>	<u>(419,369)</u>	<u>(50,950)</u>
Total Other Financing Sources (Uses)	<u>(368,419)</u>	<u>(368,419)</u>	<u>(159,964)</u>	<u>208,455</u>
Net Changes in Fund Balance	<u>(298,117)</u>	<u>(298,117)</u>	<u>192,396</u>	<u>490,513</u>
Fund Balance - Beginning (Restated)	<u>298,117</u>	<u>298,117</u>	<u>881,329</u>	<u>583,212</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,073,725</u>	<u>\$ 1,073,725</u>

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,447,900	\$ 1,447,900	\$ 1,621,674	\$ 173,774
Charges for Services	2,500	2,500		(2,500)
Miscellaneous	24,000	24,000	19,161	(4,839)
Interest	3,000	3,000	5,538	2,538
Total Revenues	<u>1,477,400</u>	<u>1,477,400</u>	<u>1,646,373</u>	<u>168,973</u>
EXPENDITURES				
Roads	1,344,050	1,356,016	1,200,780	155,236
Administration	175,400	163,434	131,546	31,888
Total Expenditures	<u>1,519,450</u>	<u>1,519,450</u>	<u>1,332,326</u>	<u>187,124</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(42,050)</u>	<u>(42,050)</u>	<u>314,047</u>	<u>356,097</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	41,050	41,050		(41,050)
Transfers To Other Funds			(259,405)	(259,405)
Total Other Financing Sources (Uses)	<u>41,050</u>	<u>41,050</u>	<u>(259,405)</u>	<u>(300,455)</u>
Net Changes in Fund Balance	(1,000)	(1,000)	54,642	55,642
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>		<u>(1,000)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,642</u>	<u>\$ 54,642</u>

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 963,631	\$ 963,631	\$ 831,762	\$ (131,869)
Charges for Services	32,800	32,800	40,816	8,016
Miscellaneous	28,000	28,000	26,915	(1,085)
Interest	200	200	87	(113)
Total Revenues	<u>1,024,631</u>	<u>1,024,631</u>	<u>899,580</u>	<u>(125,051)</u>
EXPENDITURES				
Protection to Persons and Property	953,350	972,315	918,615	53,700
Debt Service	222,100	223,167	222,359	808
Administration	206,550	186,518	178,328	8,190
Total Expenditures	<u>1,382,000</u>	<u>1,382,000</u>	<u>1,319,302</u>	<u>62,698</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(357,369)</u>	<u>(357,369)</u>	<u>(419,722)</u>	<u>(62,353)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	327,369	327,369	419,369	92,000
Total Other Financing Sources (Uses)	<u>327,369</u>	<u>327,369</u>	<u>419,369</u>	<u>92,000</u>
Net Changes in Fund Balance	(30,000)	(30,000)	(353)	29,647
Fund Balance - Beginning	<u>30,000</u>	<u>30,000</u>	<u>11,530</u>	<u>(18,470)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,177</u>	<u>\$ 11,177</u>

LARUE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of General Fund

Total Revenues - Budgetary Basis	\$ 2,022,328
Lincoln Museum's Payment on Debt	40,000
Sheriff's Payments on Vehicle Lease	8,236
Total Revenues - Modified Cash Basis	<u>\$ 2,070,564</u>
 Total Expenditures - Budgetary Basis	 \$ 1,669,968
Debt Service:	
Sheriff Vehicles Lease	8,236
Lincoln Museum Renovation	40,000
Total Expenditures - Modified Cash Basis	<u>\$ 1,718,204</u>

Note 3. Reconciliation of Jail Fund

Total Expenditures - Budgetary Basis	\$ 1,319,302
Transfer to Courthouse Improvements Bond Fund	
For Debt Service	(208,970)
Total Expenditures - Modified Cash Basis	<u>\$ 1,110,332</u>
 Other Financing Sources (Uses) - Budgetary Basis	 \$ 419,369
Transfer to Courthouse Improvement Bond Fund	(208,970)
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ 210,399</u>

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Bond Fund 1998	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2	\$ 1	\$ 3
Total Assets	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>
FUND BALANCES			
Unreserved:			
Debt Service Funds	\$ 2	\$ 1	\$ 3
Total Fund Balances	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>

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LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Bond Fund 1998	Total Non-Major Governmental Funds
REVENUES			
Total Revenues	\$	\$	\$
EXPENDITURES			
Debt Service	147,490	61,480	208,970
Total Expenditures	147,490	61,480	208,970
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(147,490)	(61,480)	(208,970)
Other Financing Sources (Uses)			
Transfers From Other Funds	147,490	61,480	208,970
Total Other Financing Sources (Uses)	147,490	61,480	208,970
Net Change in Fund Balances			
Fund Balances - Beginning	2	1	3
Fund Balances - Ending	\$ 2	\$ 1	\$ 3

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 28, 2008. LaRue County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LaRue County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LaRue County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 28, 2008

